AEP Texas

1 million customers

Appalachian Power

1 million customers

Indiana Michigan Power

590,000 customers

Kentucky Power

170,000 customers

Public Service Company of Oklahoma

540 000 customers

Southwestern Electric Power Company

530,000 customers

National Customers

Business customers with national accounts should visit AEPNationalCustomers.com

ECONOMIC DEVELOPMENT

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2020**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to_____

Commission File Number	Registrants; Address and Telephone Number	States of Incorporation	I.R.S. Employer Identification Nos.
1-3525	AMERICAN ELECTRIC POWER CO INC.	New York	13-4922640
333-221643	AEP TEXAS INC.	Delaware	51-0007707
333-217143	AEP TRANSMISSION COMPANY, LLC	Delaware	46-1125168
1-3457	APPALACHIAN POWER COMPANY	Virginia	54-0124790
1-3570	INDIANA MICHIGAN POWER COMPANY	Indiana	35-0410455
1-6543	OHIO POWER COMPANY	Ohio	31-4271000
0-343	PUBLIC SERVICE COMPANY OF OKLAHOMA	Oklahoma	73-0410895
1-3146	SOUTHWESTERN ELECTRIC POWER COMPANY	Delaware	72-0323455
	1 Riverside Plaza, Columbus, Ohio 43215-2373 Telephone (614) 716-1000		

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
American Electric Power Company Inc.	Common Stock, $6.50 par value	AEP	The NASDAQ Stock Market LLC
American Electric Power Company Inc.	6.125% Corporate Units	AEPPL	The NASDAQ Stock Market LLC
American Electric Power Company Inc.	6.125% Corporate Units	AEPPZ	The NASDAQ Stock Market LLC

AMERICAN ELECTRIC POWER COMPANY, INC. AND SUBSIDIARY COMPANIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Company Overview

AEP is one of the largest investor-owned electric public utility holding companies in the United States. AEP's electric utility operating companies provide generation, transmission and distribution services to more than five million retail customers in Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia.

AEP's subsidiaries operate an extensive portfolio of assets including:

- Approximately 223,000 circuit miles of distribution lines that deliver electricity to 5.5 million customers.
- Approximately 40,000 circuit miles of transmission lines, including approximately 2,200 circuit miles of 765 kV lines, the backbone of the electric interconnection grid in the eastern United States.
- Approximately 22,000 MWs of regulated owned generating capacity and approximately 4,700 MWs of regulated PPA capacity in 2 RTOs as of December 31, 2020, one of the largest complements of generation in the United States.

COVID-19

In March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention. Its rapid spread around the world and throughout the United States prompted many countries, including the United States, to institute restrictions on travel, public gatherings and certain business operations. These restrictions significantly disrupted economic activity in AEP's service territory and reduced demand for energy, particularly from commercial and industrial customers in 2020. Although AEP cannot predict the severity or duration of the impact of the COVID-19 pandemic, AEP currently anticipates a 0.2% increase in weather-normalized retail sales volume in 2021 as compared to 2020. For the year ended December 31, 2020, AEP experienced a reduction in weather-normalized retail sales volume of 2.2% as compared to the same period in 2019 primarily driven by a 5.7% decrease in the industrial customer class and a 4.2% decrease in the commercial customer class offset by an increase in demand of 3.2% from the residential customer class. The reduction in weather-normalized retail sales volume of 2.2% did not result in a significant decrease in the corresponding retail margins for the year ended December 31, 2020 as the increase in higher margin residential sales volumes partially offset the decreases in the industrial and commercial sales volumes. Furthermore, the rate design for certain industrial customers includes demand provisions designed to cover the fixed portion of utility costs minimizing the impact of the fluctuations in usage on revenues. AEP's load forecast is highly dependent on many factors including, but not limited to, the speed and strength of economic recovery and the extent and duration of the next wave of COVID-19 infection. If the severity of the economic disruption increases, AEP's future results of operations, financial condition, and cash flows could be further adversely impacted. See Customer Demand for additional information.

During the first quarter of 2020, AEP's electric operating companies informed both retail customers and state regulators that disconnections for non-payment were temporarily suspended. Shortly thereafter, AEP's state regulators also imposed temporary moratoria on customary disconnection practices. During the third and the fourth quarters of 2020, most state regulators began to lift restrictions on disconnects. As of December 31, 2020, AEP had resumed disconnections in its regulated jurisdictions with the exception of Virginia, Kentucky and Arkansas. Disconnections resumed in Kentucky during January 2021. AEP continues to work with regulators and stakeholders in Virginia and Arkansas and management currently anticipates resuming customary disconnection practices in the first half of 2021. However, this timing could change if there is new legislation or other regulatory directives issued in the future. Continuing adverse economic conditions may result in the inability of customers to pay for electric service, which could affect revenue recognition and the collectability of accounts receivable.

RESULTS OF OPERATIONS

SEGMENTS

AEP's primary business is the generation, transmission and distribution of electricity. Within its Vertically Integrated Utilities segment, AEP centrally dispatches generation assets and manages its overall utility operations on an integrated basis because of the substantial impact of cost-based rates and regulatory oversight. Intersegment sales and transfers are generally based on underlying contractual arrangements and agreements.

AEP's reportable segments and their related business activities are outlined below:

Vertically Integrated Utilities

- Generation, transmission and distribution of electricity for sale to retail and wholesale customers through assets owned and operated by AEGCo, APCo, I&M, KGPCo, KPCo, PSO, SWEPCo and WPCo.

Transmission and Distribution Utilities

- Transmission and distribution of electricity for sale to retail and wholesale customers through assets owned and operated by AEP Texas and OPCo.
- OPCo purchases energy and capacity at auction to serve standard service offer customers and provides transmission and distribution services for all connected load.

AEP Transmission Holdco

- Development, construction and operation of transmission facilities through investments in AEPTCo. These investments have FERC-approved returns on equity.
- Development, construction and operation of transmission facilities through investments in AEP's transmission-only joint ventures. These investments have PUCT-approved or FERC-approved returns on equity.

Generation & Marketing

- Contracted renewable energy investments and management services.
- Marketing, risk management and retail activities in ERCOT, MISO, PJM and SPP.
- Competitive generation in PJM.

The remainder of AEP's activities are presented as Corporate and Other. While not considered a reportable segment, Corporate and Other primarily includes the purchasing of receivables from certain AEP utility subsidiaries, Parent's guarantee revenue received from affiliates, investment income, interest income and interest expense and other nonallocated costs.

The following discussion of AEP's 2020 results of operations by operating segment includes an analysis of Gross Margin, which is a non-GAAP financial measure. Gross Margin includes Total Revenues less the costs of Fuel and Other Consumables Used for Electric Generation as well as Purchased Electricity for Resale and Amortization of Generation Deferrals as presented in the Registrants' statements of income as applicable. Under the various state utility rate-making processes, these expenses are generally reimbursable directly from and billed to customers. As a result, they do not typically impact Operating Income or Earnings Attributable to AEP Common Shareholders. Management believes that Gross Margin provides a useful measure for investors and other financial statement users to analyze AEP's financial performance in that it excludes the effect on Total Revenues caused by volatility in these expenses. Operating Income, which is presented in accordance with GAAP in AEP's statements of income, is the most directly comparable GAAP financial measure to the presentation of Gross Margin. AEP's definition of Gross Margin may not be directly comparable to similarly titled financial measures used by other companies.

DOCKET NO. 34077

JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY AND TEXAS ENERGY FUTURE HOLDINGS LIMITED PARTNERSHIP PURSUANT TO PURA § 14.101	§ § § § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

2008 APR 24 AM 10:49

ORDER ON REHEARING

This Order addresses the Joint Report and Application filed by Texas Energy Future Holdings Limited Partnership (TEF) and Oncor Electric Delivery Company pursuant to PURA[1] § 14.101 regarding the merger of TEF with Oncor's parent, TXU Corp. As described in the findings of fact and conclusions of law set forth below, the Commission approves TEF and Oncor's application as modified by the non-unanimous stipulation and agreement filed on October 24, 2007, as modified by an amendment to the stipulation filed on December 12, 2007.

AARP, Chapparal Steel Co., and Nucor Steel – Texas are the only parties opposed to the Stipulation. Testimony regarding opposition to the Stipulation was presented by AARP and Nucor – Steel at the Commission's hearing on this proceeding.

Initially, Alliance for Retail Markets (ARM) and Reliant Energy Retail Services, LLC (RERS) opposed only paragraph 35 of the stipulation, which provided for a one-time $72 million credit to retail electric providers (REPs) to be refunded to residential customers. However, paragraph 35 was amended by the signatories to address issues raised by RERS and ARM, and by letters filed in this docket and through statements made on the record during the Commission's hearing on the merits, ARM and RERS withdrew their opposition to paragraph 35 of the stipulation. Although RERS and the members of ARM have agreed to pass through the REP credit and no longer oppose paragraph 35, RERS and ARM maintain that the Commission does not have the authority

[1] Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.017 (Vernon 2007) (PURA).

Commission in Oncor's rates. This commitment will approximately double the level of spending on DSM currently included in Oncor's rates. Oncor will not seek to recover in rates any of the $200 million in incremental DSM expenditures. This commitment is supplemented by findings of fact 83 and 84.

50. Service and Safety Commitment. Oncor will support the inclusion of negotiated commitments with appropriate stakeholders regarding reliability, customer service and employee safety in any final order regarding the merger issued pursuant to PURA § 14.101. Those negotiated commitments are reflected in findings of fact 88, 89, and 90.

51. Rate Case Commitment. If, for any reason, the Commission has not initiated a general rate proceeding for Oncor or its predecessor prior to July 1, 2008, Oncor will not later than that date file a general rate case consistent with its currently effective settlement agreement with certain municipalities.

52. Continued Ownership Commitment. TEF will hold a majority of its ownership interest in Oncor, in the current regulatory system, for a period of more than five years after the closing date of the merger.

53. Holding Company Commitment. A new holding company, Oncor Electric Delivery Holdings, will be formed between TXU Corp. and Oncor.

54. Independent Board Commitment. Both Oncor Electric Delivery Holdings and Oncor will each have a board of directors comprised of at least nine persons. A majority of Oncor Electric Delivery Holdings' board members and Oncor's board members will qualify as "independent" in all material respects in accordance with the rules and regulations of the New York Stock Exchange (NYSE) (which are set forth in Section 303A of the NYSE Listed Company Manual and in Exhibit ONCOR/TEF 4 at FMG-2), from TXU Corp. and its subsidiaries (including TXU Energy Retail and Luminant), Texas Pacific Group (TPG), and Kohlberg Kravis Roberts & Co (KKR). Consistent with TEF's commitments, the directors of Oncor and Oncor Electric Delivery Holdings will also not include any members

from the boards of directors of TXU Energy Retail or Luminant. This commitment is supplemented by finding of fact 74.

55. Affiliate Asset Transfer Commitment. Neither Oncor Electric Delivery Holdings nor Oncor will transfer any material assets or facilities to any affiliates (other than Oncor Electric Delivery Holdings, Oncor, and their subsidiaries, which are hereinafter referred to as the "ring-fenced entities"), other than a transfer that is on an arm's length basis consistent with the Commission's affiliate standards applicable to Oncor, regardless of whether such affiliate standards would apply to the particular transaction.

56. Arm's Length Relationship Commitment. Each of the ring-fenced entities will maintain an arm's length relationship with the TXU Group consistent with the Commission's affiliate standards applicable to Oncor. This provision is supplemented by finding of fact 85.

57. Separate Books and Records Commitment. Each of the ring-fenced entities will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

58. Oncor Board's Right to Determine Dividends Commitment. The Oncor Board, comprised of a majority of independent directors, will have the sole right to determine dividends. This commitment is supplemented by findings of fact 65 and 76.

59. Capital Expenditures Within Oncor Service Territory Commitment. The $3 billion minimum commitment for Oncor capital expenditures over the five years following the merger will be spent within the traditional Oncor system, and that amount does not include any transmission projects to be constructed by Oncor as a result of the Commission's decision in its *Commission Staff's Petition for Designation of Competitive Renewable Energy Zones,* Docket No. 33672 (pending). This commitment is modified by findings of fact 86 and 87.

60. No Transaction Costs to Oncor Commitment. None of the fees and expenses or any incremental borrowing costs of TXU Corp. or its subsidiaries related to the merger will be borne by Oncor's customers. This commitment is supplemented in finding of fact 82.

61. Exclusion of Goodwill Commitment. The calculations for the debt-to-equity ratio commitment will not include goodwill resulting from the merger. This commitment is supplemented by finding of fact 80.

62. No Inter-Company Debt Commitment. Oncor will not enter into any inter-company debt transactions with TXU Corp. affiliates following consummation of the merger. This commitment is supplemented by finding of fact 68.

63. No Shared Credit Facilities Commitment. Oncor will not share any credit facility with any unregulated affiliate. This commitment is supplemented by finding of fact 69.

64. No Recovery of TXU Energy Retail Bad Debt Commitment. So long as TXU Energy Retail is affiliated with Oncor, Oncor will not seek to recover from its customers any costs incurred as a result of a bankruptcy of TXU Energy Retail. This commitment is supplemented by finding of fact 72.

65. Dividend Restriction Commitment. The Oncor LLC agreement[4] shall, and TEF and Oncor will support a Commission finding to, limit the payment of dividends by Oncor through December 31, 2012, to an amount not to exceed Oncor's net income (determined in accordance with generally accepted accounting principles) for the period beginning on the date following the closing of the merger and ending on December 31, 2012.

66. Write-Off Commitment. Oncor will implement a one-time $35 million write-off in 2007 or 2008, at its discretion, either prior to or after the closing of the merger, to its storm reserve and a one-time write-off in 2007 or 2008, at its discretion, either prior to or after the closing of the merger, to the 2002 restructuring

[4] *See* Rebuttal Testimony of Frederick M. Goltz (Goltz Rebuttal), TEF Ex. FMG-R-2 (Highly Sensitive Confidential Exhibit).

expenses held as regulatory assets ($20,927,391.50). These write-off amounts will not be included as a cost item in the 2008 rate case or any other Commission proceeding. Parties reserve the right to challenge claimed expenses included in storm reserve and regulatory assets accounts. These write-offs shall not be included in the calculation of net income for dividend payment purposes, as described in finding of fact 65.

67. Reporting Commitment. Oncor will file quarterly earnings monitoring reports with the Commission, including information on dividends paid, for a period of five years beginning in January 2008.

68. No Inter-Company Lending Commitment. Oncor will not lend money to or borrow money from TXU Corp. or TXU Corp. affiliates. This provision supplements the commitment reflected in finding of fact 62.

69. Credit Facility Commitment. Oncor will not share credit facilities with TXU Corp. or TXU Corp. affiliates. This provision supplements the commitment reflected in finding of fact 63.

70. No Pledging of Assets Commitment. Oncor's assets shall not be pledged for any entity other than Oncor. This provision supplements the commitment reflected in finding of fact 46.

71. Notice of Corporate Separateness Commitment. Oncor, TXU Corp., and TXU Corp. affiliates will provide advance notice of their corporate separateness to lenders on all new debt and will use commercially reasonable efforts to seek an acknowledgment representation of that separateness and non-petition covenants in all new debt instruments, including the debt instruments used in connection with financing the merger. This commitment will terminate at such time that Oncor ceases to be affiliated with TXU Corp.

72. Bankruptcy Expenses Commitment. Oncor will not seek recovery in rates of any expenses related to a bankruptcy or default of TXU Corp. or TXU Corp. affiliates, including bad debt expense, or expenses associated with the expiration or

cancellation of tax and interest reimbursement agreements presently in effect. This provision supplements the commitment reflected in finding of fact 64.

73. Credit Rating Commitment. During any period that any two of the Standard & Poor's, Moody's, or Fitch rating agencies rate Oncor as an entity at below investment grade, TEF will cause TXU Energy Retail within 15 days to post a letter of credit in favor of Oncor in the amount of $170 million to secure TXU Energy Retail's payment obligations to Oncor. The parties agree that TXU Energy Retail may withdraw the letter of credit at such time as two of the three ratings agencies rate Oncor as investment grade or at such time as TXU Energy Retail and Oncor cease to be affiliated with one another. The cost of any letter of credit required under this provision will not be reflected in Oncor's rates.

74. Independent Directors Commitment. For an individual to qualify as an independent director of Oncor, such individual must be independent of each of Oncor, TEF, TXU Corp. and TXU Corp. affiliates, KKR, TPG, Goldman Sachs, Lehman Brothers, Morgan Stanley, Citigroup, J.P. Morgan, and CSFB in accordance with the applicable criteria set forth in the NYSE Manual for independent directors of NYSE listed companies. After such time as any of Lehman Brothers, Morgan Stanley, Citigroup, J.P. Morgan, or CSFB has sold all of the debt it underwrote to finance the merger, then any such entity that has sold all of the debt it underwrote to finance the merger shall be deemed removed from the list of entities from which an individual must be independent in order to qualify as an independent director of Oncor in this finding of fact 74. This provision supplements the commitment reflected in finding of fact 54.

75. Minority Interest Commitment. The currently contemplated sale of a minority interest in Oncor, to the extent that such sale occurs, will be made to a party that is not otherwise affiliated with, and is independent from, TXU Corp., KKR, TPG, and Goldman Sachs. Oncor may dividend the net proceeds from the sales of minority interests in Oncor to its members without regard to the provisions of finding of fact 65.

PUC DOCKET NO. 45188

JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC, OVATION ACQUISITION I, LLC, OVATION ACQUISITION II, LLC, AND SHARY HOLDINGS, LLC FOR REGULATORY APPROVALS PURSUANT TO PURA §§ 14.101, 37.154, 39.262(l)-(m), AND 39.915	§	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

This Order addresses the joint report and application filed by Oncor Electric Delivery Company, LLC, Ovation Acquisition I, LLC, Ovation Acquisition II, LLC, and Shary Holdings, LLC (collectively, applicants) for Commission approval of a transaction that would transfer control of Oncor Electric Delivery Company, LLC and would restructure Oncor under Public Utility Regulatory Act (PURA) §§ 14.101, 39.262(m), and 39.915(b).[1] Based on the evidence and testimony presented during hearing, the Commission finds that the transaction described in the application is in the public interest under PURA §§ 14.101, 39.262(l)-(m), and 39.915, but only if all the conditions described in this Order are met. Further, unless the proposed transaction has closed and the Commission has established initial rates and tariffs as provided in this Order, the authority granted by this Order to complete the proposed transaction expires on November 30, 2016.

It is appropriate to identify early in this Order how the restructured utility will be referenced in this Order. Oncor Electric Delivery Company, LLC, as it exists today and until the transaction closes and the contemplated restructuring occurs, will be referenced in this Order as Oncor Electric Delivery Company or Oncor. As a result of the proposed restructuring, Oncor will be split into two companies. Oncor AssetCo will own the transmission and distribution facilities and will be referenced as Oncor AssetCo. The restructured Oncor Electric Delivery Company will contain substantially all Oncor's management and employees and the remainder of Oncor's assets as

[1] Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 14.101, 39.262(m), and 39.915(b) (West 2007 & Supp. 2014) (PURA).

671

commitment described in finding of fact 235, (f) causing Oncor AssetCo or Oncor Holdings to enter into any material agreement or transaction with Ovation Acquisition I, EFIH, or any of their subsidiaries, with any significant stockholder of Ovation Acquisition I, or with the direct and indirect owners of OEDC, except as contemplated in finding of fact 280, and (g) causing Oncor AssetCo or Oncor Holdings to incur indebtedness other than through facilities approved by the disinterested directors or refinancings of their existing indebtedness.

219. In addition to the conditions discussed above, with respect to each company, and as long as any material amount of debt exists (as may be determined by the Commission) at reorganized EFIH or Ovation Acquisition I or any other intervening entity above Oncor AssetCo or Oncor Holdings, the concurrence of a majority of the disinterested directors shall be required for Oncor AssetCo or Oncor Holdings to (a) declare any dividend or make any other distribution and in so doing shall act to ensure that sufficient capital is available to fund Oncor AssetCo's and OEDC's operations; (b) merge, acquire, or be sold to any third party; (c) file for bankruptcy, or otherwise avail itself of any federal or state law relating to insolvency; and (d) enter into any other transaction or series of transactions exceeding ten million dollars that are out of the ordinary course of business.

220. The Oncor AssetCo limited liability company agreement will provide that, to the fullest extent permitted by applicable law, the disinterested directors shall consider only the best interests of Oncor AssetCo, including its direct creditors, in acting or otherwise voting on any action set forth in subsections (a) through (d) of finding of fact 218. In performing such actions, the disinterested directors must take into account (a) Oncor AssetCo's status as a regulated utility, (b) the need of both Oncor AssetCo and OEDC to fulfill their regulatory obligations, (c) the regulatory and contractual obligations of Oncor AssetCo described herein to provide sufficient liquidity to OEDC. Otherwise, in exercising rights and performing their duties under the Oncor AssetCo limited liability company agreement, the disinterested directors will have fiduciary duties of loyalty and care identical to those of a director of a business corporation organized under the General Corporation Law of the state of Delaware.

221. Oncor AssetCo's dividends and distributions will be reduced or suspended if either (a) the combined leverage of OEDC, Oncor AssetCo, and Oncor Holdings exceeds the maximum regulatory debt-to-equity ratio established by the Commission in its most recent rate case or (b) if a majority of the independent or disinterested directors decide that it is in the best interest of Oncor AssetCo to retain such amounts to meet expected future requirements, taking into account contribution commitments from Oncor AssetCo's parent companies.

222. Oncor AssetCo and Oncor Holdings will not incur, guarantee, or pledge assets in respect of any existing or incremental new debt related to the transaction other than under credit facilities solely to provide loans and other liquidity in OEDC or to acquire assets or to construct facilities used and useful in providing service to its or OEDC's customers.

223. Oncor Holdings will be maintained between EFIH and Oncor AssetCo.

224. Oncor AssetCo and Oncor Holdings will not transfer material assets or facilities to Ovation Acquisition I, EFIH or any of their subsidiaries, or any significant shareholder of Ovation Acquisition I, or to the direct and indirect owners of OEDC, other than transfers on an arm's-length basis consistent with the Commission's affiliate standards applicable to Oncor AssetCo and OEDC, regardless of whether such affiliate standards would apply to such a transaction.

225. Oncor AssetCo and Oncor Holdings will maintain an arm's-length relationship with Ovation Acquisition I, EFIH, or any of their subsidiaries, and any significant shareholder of Ovation Acquisition I or other affiliates of Oncor AssetCo and OEDC (other than with Oncor AssetCo or Oncor Holdings) consistent with the Commission's affiliate standards applicable to Oncor AssetCo and OEDC.

226. Oncor AssetCo must maintain an investment grade rating. During any time Oncor AssetCo's entity rating is not maintained as investment grade by at least two of Standard & Poor's, Moody's, or Fitch credit rating agencies, Oncor AssetCo shall not make any distributions, dividends, or other upstream payments to reorganized EFIH, Ovation Acquisition I or to any of their respective subsidiaries without the prior approval of the Commission. If, at any time from the date of closing the merger through December 31, 2020, Oncor AssetCo's entity rating is not maintained as investment grade by Standard &

Poor's, Moody's, or Fitch credit ratings agencies, Oncor AssetCo and OEDC shall not use the lower credit rating as a justification for a higher regulatory rate of return.

227. Oncor AssetCo's and OEDC's financial statements will be audited by one of the big-four accounting firms. Oncor AssetCo, Oncor Holdings, and OEDC will maintain accurate, appropriate, and detailed books, financial records, and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity. Oncor AssetCo, Oncor Holdings, and OEDC will provide the Commission full access to its books and records.

228. Oncor AssetCo and Oncor Holdings will not commingle any facilities, assets, funds, or liabilities with the facilities, assets, funds or liabilities of Ovation Acquisition I, EFIH or any of their subsidiaries, or any significant stockholder of Ovation Acquisition I or the OEDC owners.

229. Oncor AssetCo and Oncor Holdings will not enter into any debt transactions with Ovation Acquisition I or EFIH or any of their subsidiaries (other than with Oncor Asset Co or Oncor Holdings), any significant stockholder of Ovation Acquisition I, or the OEDC owners following consummation of the transaction.

230. Oncor AssetCo will not share any credit facility with any unregulated affiliate or any regulated affiliate other than OEDC or its subsidiaries and Oncor Holdings. Neither Oncor AssetCo nor Oncor Holdings will pledge any of its assets for Ovation Acquisition I, EFIH or any of their subsidiaries, or any significant stockholder of Ovation Acquisition I or any other affiliate other than for itself, OEDC, and OEDC's subsidiaries. In addition, Oncor AssetCo will not incur or assume any liability for, or guarantee any debt of the foregoing entities, other than OEDC and its subsidiaries.

231. Oncor AssetCo will not pledge any of its assets for Ovation Acquisition I, EFIH or any of their subsidiaries, or any significant stockholder of Ovation Acquisition I or for any other regulated affiliate other than OEDC or its subsidiaries and Oncor AssetCo or Oncor Holdings.

232. Oncor AssetCo, Oncor Holdings, OEDC, Shary Holdings, LLC, Ovation Acquisition I, LLC, Ovation Acquisition II, LLC, EFIH, and Hunt Utility Services are affiliates under

PURA and subject to PURA provisions and Commission rules governing affiliate transactions. The foregoing list shall not be deemed exclusive of other entities related to Hunt Consolidated, Inc.

233. The Commission will determine Oncor AssetCo's and OEDC's return on equity based on a comparison group of investment-grade-rated utilities regardless of the actual debt ratings of Oncor AssetCo and OEDC.

234. Except as otherwise provided in this order, Oncor AssetCo and Oncor Holdings must be independent and operate with other entities on an arm's-length basis to prevent each entity from incurring an obligation of related parties or claims by outside claimants. Protections must include: (a) non-consolidation opinions for each of Oncor AssetCo and Oncor Holdings to prevent consolidation into related parties during a bankruptcy or liquidation proceeding, and (b) a commitment by Oncor AssetCo, OEDC, and Oncor Holdings to not provide any guarantees, act as a co-borrower, pledge any assets or otherwise obligate themselves on behalf of other affiliates, except Oncor AssetCo and Oncor Holdings.

235. Oncor AssetCo and OEDC must maintain a combined debt-to-equity ratio established by the Commission in rate proceedings. The calculation of the ratio shall not include goodwill.

236. None of the fees and expenses or any incremental borrowing costs of OEDC related to any extension of credit from Oncor AssetCo will be borne by OEDC's customers.

237. Oncor AssetCo's and OEDC's debt will be limited so that the debt-to-equity ratio for the entities on a combined basis excluding inter-company transactions is at or below the regulatory debt-to-equity ratio established from time to time by the Commission for ratemaking purposes.

238. For a period of five years, OEDC's system average interruption duration Index (SAIDI) and system average interruption frequency index (SAIFI) benchmarks should be calculated based on the performance standards applicable to Oncor for years 2011, 2013, and 2014. OEDC's SAIDI benchmark should be 96.30667 and its SAIFI benchmark should be 0.94000.

239. All debt instruments issued by Ovation Acquisition I, reorganized EFIH, or any of their subsidiaries, including without limitation all purchase agreements, trust indentures, notes, and security and pledge agreements, will contain an express acknowledgment in which the debt holders and their respective successors and assigns acknowledge that neither Oncor AssetCo nor Oncor Holdings will be liable for any principal, interest, premium, penalty, or other costs arising out of or relating to such debt. This does not apply to debt incurred by Oncor AssetCo. The acknowledgement must state that such debt holders may not exercise any right to foreclose on any equity of reorganized EFIH or Ovation Acquisition I or otherwise attempt to control Oncor Holdings or Oncor AssetCo, whether by directing the voting of such equity or otherwise exercising any control over any such entities without first obtaining approval for the change of control from the Commission.

240. Oncor AssetCo and Oncor Holdings will each provide advance notice of its corporate separateness from Oncor Holdings, OEDC, reorganized EFIH, and Ovation Acquisition I to lenders on all new debt and will obtain an acknowledgement of the separateness and non-petition covenants in all new debt instruments, including any debt instruments used in connection with financing the transaction.

241. OEDC shall provide advance notice of its corporate separateness from Oncor Holdings, Oncor AssetCo, Reorganized EFIH, and OV1 to lenders (other than Oncor AssetCo) on all new debt and will obtain an acknowledgement of the separateness and non-petition covenants in all new debt instruments, including any debt instruments used in connection with financing the transaction.

242. Under the leases between Oncor AssetCo and OEDC, if OEDC identifies a *footprint project* in its *capex budget* (as those terms were defined in the leases provided in the direct testimony of D. Greg Wilks) then OEDC must have the sole discretion to decide what capital budget is required to meet the obligation to fund the footprint project.

243. Oncor AssetCo's obligation to fund capital projects will remain in effect if OEDC is unable to meet lease obligations. OEDC's rental payment obligations shall not impair OEDC's financial stability or obligations under PURA.

244. Neither Oncor AssetCo nor OEDC will own, operate, or construct capital assets outside of ERCOT without the prior approval of the Commission. Oncor Holdings will not own,

operate or construct, or hold any interest in any entity that owns, operates, or constructs any capital assets outside of ERCOT without the prior approval of the Commission.

245. Oncor AssetCo and OEDC will maintain headquarters and management in Dallas County, Texas or any of the counties adjacent thereto.

246. The organizational documents of Ovation Acquisition I, Oncor AssetCo, reorganized EFIH, Oncor Holdings, and OEDC and any modifications to those documents must be consistent with any order approving the transaction.

247. The purchasers commit that ratepayers of both Oncor and Sharyland will be held harmless for any costs related to or caused by the transaction, including any incremental costs that may or will be incurred as the result of the transaction or the transaction's structure after the transaction is consummated. Such costs will not be included in rate base, cost of capital, or operating expenses in future ratemaking proceedings. OEDC and Oncor AssetCo commit that their wholesale and retail transmission and distribution rates will not be any greater than their rates would have been absent restructuring. This commitment also applies to OEDC's and Oncor AssetCo's cost of capital.

248. The purchasers commit that ratepayers will be held harmless for any incremental Texas margin tax because of the restructuring of Oncor into two separate utilities. Such costs shall not be included in rate base, cost of capital, or operating expenses in future ratemaking proceedings.

249. The purchasers commit that ratepayers will be held harmless for any incremental costs related to the Oncor AssetCo and OEDC separate lines of credit and for the costs of an OEDC contingency reserve. Such costs shall not be included in rate base, cost of capital or operating expenses in future ratemaking proceedings.

250. The purchasers commit that ratepayers will be held harmless for any costs related to the terms of the transfer of the CCNs and other assets by Oncor AssetCo to OEDC by removing all effects of the book gain and tax gains from the revenue requirement, including any effects of a stepped-up basis on OEDC's books and the effects of the accumulated deferred income taxes (ADIT) that was eliminated on Oncor AssetCo's books. Such costs shall not be included in rate base, cost of capital, or operating expenses in future ratemaking

proceedings. Further, the lost ADIT will be included as a subtraction from rate base in future ratemaking proceedings.

251. The purchasers commit that ratepayers will be held harmless for any incremental costs related to the separate ownership and management of Oncor AssetCo and OEDC, including, but not limited to, the costs of Hunt Utility Services reflected in any agreements between Oncor AssetCo, Oncor Holdings, and OEDC. Such costs shall not be included in rate base, cost of capital, or operating expenses in future ratemaking proceedings. In addition, Oncor AssetCo and OEDC shall bear the burden of proof to show that no costs incurred because of the transaction will be included in the revenue requirement recovered through rates.

252. The purchasers commit that ratepayers will be held harmless for any costs of goodwill. Such costs will not be included in rate base, cost of capital, or operating expenses in future ratemaking proceedings.

253. Ratepayers will be held harmless for any fees or expenses or incremental borrowing costs associated with the transaction.

254. Until the transaction closes, the applicants agree to request approval from the Commission of any modifications or additions to the approved commitments in this case by other regulatory bodies.

255. The applicants agree to request approval from the Commission of any modification to the transaction resulting from the private letter ruling obtained from the Internal Revenue Service regarding REIT treatment. In addition, applicants must notify the Commission if the Internal Revenue Service declines to issue a private letter ruling, or issues an unfavorable private letter ruling.

256. Subject to the Commission's authority under PURA and Commission rules, the terms of all leases after the initial lease may not exceed four years to provide more flexibility in adjusting the amount of rent payments than would be available in longer leases and minimize liquidity risks related to timing issues.

257. Subject to the Commission's authority under PURA and Commission rules, any lease with a term of three years or longer will have a variable rent component so long as the inclusion of such a component is consistent with maintaining REIT status for Ovation Acquisition I.

258. Rental payments between OEDC and Oncor AssetCo must be omitted from the determination of cash working capital in future rate cases.

259. Oncor AssetCo and OEDC must fund a study as soon as practicable in consultation with Commission Staff to determine any additional net benefits to ratepayers or operational synergies that may be derived from the relationship that will exist between the sister companies or the possible future combination of Oncor AssetCo and OEDC with Sharyland Distribution & Transmission Services, LP, and Sharyland Utilities, LP.

260. A conflicts committee of Ovation Acquisition I—composed solely of directors who are independent under New York Stock Exchange rules—will review and advise the board on specific matters that the board believes may involve a conflict of interest, including approving any transactions in which Hunt has a controlling interest.

261. Flourish Investment Corporation has committed that neither it nor any affiliate will seek to nominate or have a representative serve as a director of the Ovation Acquisition I board of directors.

262. OEDC will assign a non-economic interest in OEDC to a disinterested independent party whose affirmative consent, taking into account the continuing viability and operation of Oncor AssetCo and OEDC, will be required before the filing of a petition by OEDC to commence any voluntary bankruptcy, liquidation, receivership, or any person on its behalf.

263. OEDC will not be permitted to make any cash distributions to its equity holders at any time unless the total amount of liquidity for OEDC is at or above $500 million, including OEDC's working capital cash fund, an OEDC line of credit, and a line of credit from Oncor AssetCo.

264. OEDC will maintain an arm's-length relationship with the owners of OEDC, Ovation Acquisition I, EFIH or any of their subsidiaries, and any significant stockholder of Ovation Acquisition I, and their collective affiliates consistent with PURA's and the Commission's affiliate standards applicable to Oncor AssetCo and OEDC.

265. OEDC will not transfer material assets or facilities to OEDC's owners or Ovation Acquisition I, EFIH or any of their subsidiaries, or any significant stockholder of Ovation Acquisition I (other than Oncor AssetCo or Oncor Holdings) other than transfers on an arm's-length basis consistent with PURA's and the Commission's affiliate standards applicable to Oncor AssetCo and OEDC, regardless of whether such affiliate standards would apply to a particular transaction.

266. Except for loans that OEDC's owners may make to OEDC, OEDC will not enter into any inter-company debt transactions with OEDC's owners following consummation of the transaction. OEDC will not share any credit facility with any unregulated or regulated affiliate other than Oncor AssetCo or its subsidiaries.

267. OEDC will not pledge any of its assets for OEDC's owners or Ovation Acquisition I, EFIH or any of their subsidiaries, or any significant stockholder of Ovation Acquisition I, other than for Oncor AssetCo or its subsidiaries.

268. The leases between Oncor AssetCo and OEDC will include restrictive covenants that restrict OEDC from incurring debt, effecting asset sales, creating or incurring liens, engaging in certain business activities and undergoing change of control transactions, without consent from Oncor AssetCo.

269. The applicants agreed that parties are free to argue in subsequent proceedings that savings, if any, that may have occurred from the Oncor restructuring should be shared with ratepayers.

270. OEDC and Oncor AssetCo will not request rate recovery of formation or other costs associated with the Oncor restructuring.

271. OEDC and Oncor AssetCo will not seek future cost recovery of any issuance costs related to an initial public offering or private placement by a REIT affiliated with either of them.

272. Oncor AssetCo will not incur indebtedness, provide guarantees, or pledge assets in a manner that will harm the quality of service or increase the rates paid by OEDC's customers.

273. The applicants agreed to comply with Oncor's previous rate settlements.

PUC DOCKET NO. 47675

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JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC AND SEMPRA ENERGY FOR REGULATORY APPROVALS PURSUANT TO PURA §§ 14.101, 39.262, AND 39.915	§ § § § § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

ORDER

This Order addresses the joint report and application of Oncor Electric Delivery Company LLC (Oncor) and Sempra Energy for Commission approval of Sempra Energy's proposed acquisition of Energy Future Holdings, Corp.'s approximately 80.03% indirect interest in Oncor under the Public Utility Regulatory Act[1] (PURA). The joint applicants and all other parties to the docket entered into a settlement agreement that resolves all issues among the parties. The agreement contains numerous regulatory commitments by the joint applicants. For the reasons discussed in this Order, the Commission finds that the transaction is in the public interest under PURA §§ 14.101, 39.262(*l*) through (o), and 39.915, provided that all the regulatory commitments described in this Order are met.

An initial non-unanimous settlement agreement signed by Oncor, Sempra Energy, Commission Staff, the Office of Public Utility Counsel, the Steering Committee of Cities Served by Oncor (Cities), and the Texas Industrial Energy Consumers was filed on December 15, 2017. A revised version of the settlement agreement was filed on January 5, 2018, and included the Alliance for Retail Markets and the Texas Energy Association for Marketers as additional signatories. On January 23, 2018, a revision to the revised settlement agreement was filed, and included Golden Spread Electric Cooperative and Nucor Steel—Texas as signatories. While the January 23 revision to the revised settlement agreement was initially opposed by the Energy Freedom Coalition of America and the Texas Legal Services Center, those two parties later withdrew their opposition and signed the January 23 settlement agreement without amendment. The Energy Freedom Coalition of America joined as a signatory to that agreement on

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[1] Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001–58.302 (West 2016 & Supp. 2017), §§ 59.001–66.016 (West 2007 & Supp. 2017).

200

a report providing the reasons for the variance consistent with finding of fact 74 of this Order.

e. A majority of the disinterested directors of Oncor must approve an annual budget or any multi-year budget if the aggregate amount of such operating and maintenance expenditures in such budget is more than a 10% decrease or increase from the operating and maintenance budget for the immediately prior fiscal year or multi-year period, as applicable.

50. Oncor Board's Right to Determine Dividends. The Oncor board, composed of a majority of disinterested directors, will have the sole right to determine dividends or other distributions, except for contractual tax payments.

a. Any amendments or changes to the dividend policy must be approved by a majority vote of the disinterested directors.

b. The disinterested directors, acting by majority vote, shall have the authority to prevent Oncor or Oncor Holdings from making any dividend or other distributions, except for contractual tax payments, if they determine that it is in the best interest of Oncor to retain such amounts to meet expected future requirements of Oncor (including continuing compliance with the debt-to-equity ratio described in finding of fact 56). Additionally, Sempra Energy agrees that neither Sempra Energy nor any of its affiliates will issue stock or ownership interest that supersede the foregoing obligations of Oncor or Oncor Holdings.

51. Oncor Credit Ratings and Dividends. To eliminate concerns regarding a negative impact on Oncor resulting from Sempra Energy's acquisition of Oncor, and in lieu of providing specifics regarding acquisition funding, the Order requires the following:

a. Sempra Energy will ensure that, as of the closing of the transaction, Oncor's credit ratings at all three major ratings agencies (Standard & Poor's, Moody's Investor Service, or Fitch Ratings) will be at or above Oncor's credit ratings as of June 30, 2017; and

b. If the credit rating by any one of the three major ratings agencies (Standard & Poor's, Moody's Investor Service, or Fitch Ratings) falls below BBB (Baa2) for

Oncor senior secured debt, then Oncor will suspend payment of dividends or other distributions, except for contractual tax payments, until otherwise allowed by the Commission. Additionally, neither Sempra Energy nor any of its affiliates will issue stock or ownership interest that supersede the foregoing obligations of Oncor. Oncor shall notify the Commission if either Sempra Energy's or Oncor's credit issuer rating or corporate rating as rated by any of Standard & Poor's, Moody's Investor Service, or Fitch Ratings agencies falls below its then current level.

52. Existing Legacy Debt and Liabilities. Sempra Energy will extinguish all debt that resides above Oncor at Energy Future Intermediate Holding and Energy Future Holdings, reducing it to zero immediately following the closing of the transaction and maintaining it at zero going forward.

53. No Debt Disproportionally Dependent on Oncor. Without prior approval of the Commission, neither Sempra Energy nor any affiliate of Sempra Energy (excluding Oncor) will incur, guaranty, or pledge assets in respect of any incremental new debt at the closing or thereafter that is dependent on: (1) the revenues of Oncor in more than a proportionate degree than the other revenues of Sempra Energy; or (2) the stock of Oncor.

54. No Transaction-Related Debt at Oncor or Oncor Holdings. Neither Oncor nor Oncor Holdings will incur, guaranty, or pledge assets in respect of any incremental new debt related to financing the transaction at the closing or thereafter. Oncor's financial integrity will be protected from the separate operations of Sempra Energy and affiliates of Sempra Energy, including but not limited to Sempra Energy's affiliated retail electric provider or generation company, if any.

55. Cross-Default Provisions, Financial Covenants, or Rating Agency Triggers. Neither Oncor nor Oncor Holdings will include in any of their debt or credit agreements cross-default provisions between the securities of Oncor and of Oncor Holdings securities and the securities of Sempra Energy or any of its affiliates or subsidiaries (excluding Oncor), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings. Oncor and Oncor Holdings will not include in their debt or credit agreements any financial covenants or rating-agency triggers related to Sempra Energy or any other Sempra Energy affiliate, or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings.

56. Debt-to-Equity Ratio. Oncor's debt-to-equity ratio as determined by the Commission shall at all times remain in compliance with the debt-to-equity ratio established from time to time by the Commission for ratemaking purposes. Oncor will make no payment of dividends or other distributions, except for contractual tax payments, where such dividends or other distributions would cause Oncor to be out of compliance with the Commission-approved debt-to-equity ratio. Additionally, neither Sempra Energy nor any of its affiliates will issue stock or ownership interest that supersede the foregoing obligations of Oncor.

57. No Inter-Company Debt. Neither Oncor nor Oncor Holdings will enter into any inter-company debt transactions with Sempra Energy affiliates (other than Oncor subsidiaries), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings, following consummation of the transaction.

58. No Inter-Company Lending. Neither Oncor nor Oncor Holdings will lend money to or borrow money from Sempra Energy or Sempra Energy's affiliates (other than Oncor subsidiaries), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings.

59. Credit Facility. Neither Oncor nor Oncor Holdings will share credit facilities with Sempra Energy or Sempra Energy's affiliates (other than Oncor subsidiaries), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings.

60. No Pledging of Assets or Stock. Oncor's assets or stock shall not be pledged by Oncor Holdings, Sempra Energy or any Sempra Energy affiliate, or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings, for any entity other than Oncor.

61. No Recovery of Affiliate REP Bad Debt. To the extent that any retail electric provider is affiliated with Oncor, Oncor will not seek to recover from its customers any costs incurred as a result of a bankruptcy of any such affiliated retail electric provider.

62. Credit Rating Registration. Oncor will, except as otherwise approved by the Commission, be registered with major nationally and internationally recognized bond rating agencies, including Standard & Poor's, Moody's Investor Service, and Fitch Ratings. Oncor's ratings shall reflect the ring-fence provision contemplated herein in order to provide Oncor with a stand-alone (non-linked) credit rating.

63. Stand-Alone Credit Rating. Except as may be otherwise ordered by the Commission, Sempra Energy shall take the actions necessary to ensure the existence of an Oncor stand-alone credit rating.

64. Bankruptcy Expenses and Liabilities. Oncor will not seek recovery in rates of any expenses or liabilities related to Energy Future Holdings' bankruptcy. Oncor will not seek recovery in rates of amounts resulting from any: (1) tax liabilities resulting from the spin-off of Texas Competitive Electric Holdings Company LLC; (2) asbestos claims relating to non-Oncor operations of or under Energy Future Holdings; or (3) make-whole claims by creditors of Energy Future Holdings or Energy Future Intermediate Holding set forth in the Energy Future Holdings and Energy Future Intermediate Holding plan of reorganization. Oncor's customers will not be required to pay for these items. Sempra Energy will file with the Commission within 30 days of closing a plan that provides for the extinguishment of liabilities as they arise from Energy Future Holdings and Energy Future Intermediate Holding for items (1), (2), and (3) stated in this paragraph, which protects Oncor from any harm.

65. Non-Consolidation Legal Opinion. Sempra Energy will obtain a non-consolidation legal opinion that provides that, in the event of a bankruptcy of Sempra Energy or any affiliate of Sempra Energy, a bankruptcy court will not consolidate the assets and liabilities of Oncor with Sempra Energy or any affiliate of Sempra Energy.

66. Capital Expenditure. Oncor shall make minimum capital expenditures equal to a budget of at least $7.5 billion over the five-year period beginning January 1, 2018, and ending December 31, 2022, subject to the following adjustments to the extent reported to the Commission in Oncor's earnings monitor report: Oncor may reduce capital spending due to conditions not under Oncor's control, including, without limitation, siting delays, cancellations of projects by third-parties, weaker-than-expected economic conditions, or if Oncor determines that a particular expenditure would not be prudent.

67. Cybersecurity Expenditure. Oncor shall make minimum cybersecurity expenditures equal to a budget of $35 million over the five-year period beginning January 1, 2018, and ending December 31, 2022. Oncor shall work cooperatively with other Sempra Energy entities with respect to cybersecurity issues.

68. Affiliate Asset Transfer. Neither Oncor Holdings nor Oncor will transfer any material assets or facilities to any affiliates (other than Oncor Holdings, Oncor, and their subsidiaries, which are hereinafter referred to as the ring-fenced entities), other than a transfer that is on an arm's-length basis consistent with the Commission's affiliate standards applicable to Oncor, regardless of whether such affiliate standards would apply to the particular transaction.

69. Arm's-Length Relationship. Each of the ring-fenced entities will maintain an arm's-length relationship with Sempra Energy or Sempra Energy's affiliates (other than the ring-fenced entities), or any entity with a direct or indirect ownership interest in Oncor or Oncor Holdings, consistent with the Commission's affiliate standards applicable to Oncor. Sempra Energy will provide the Commission access to the books and records of Sempra Energy or Sempra Energy affiliates as necessary to facilitate Commission audit or review of any affiliate transactions as between Oncor and Sempra Energy or Sempra Energy affiliates, consistent with PURA § 14.154.

70. Separate Books and Records. Each of the ring-fenced entities will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

71. FERC Preemption. Neither Oncor nor Sempra Energy nor Sempra Energy's affiliates will assert before the Commission or a Texas court of competent jurisdiction that the Commission is preempted pursuant to the Federal Power Act (*e.g.*, under a FERC tariff) from making a determination regarding the cost recovery of affiliate costs sought to be allocated to Oncor.

72. Holding Company. Oncor Holdings will be retained between Sempra Energy and Oncor.

73. Continued Ownership. Sempra Energy will hold indirectly at least 51% of the total outstanding membership interests in Oncor and Oncor Holdings, including any minority interests, for a period of no less than five years after the closing date of the transaction, unless specifically authorized by the Commission.

PUC DOCKET NO. 48929

JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC, SHARYLAND DISTRIBUTION & TRANSMISSION SERVICES, L.L.C., SHARYLAND UTILITIES, L.P., AND SEMPRA ENERGY FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 37.154, 39.262, AND 39.915	§	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

This Order addresses the joint report and application of Oncor Electric Delivery Company LLC, Sharyland Distribution & Transmission Services, L.L.C. (SDTS), Sharyland Utilities, L.P., and Sempra Energy (collectively, the joint applicants) for Commission approval of a series of mutually dependent transactions. The transactions will result in Oncor owning a significant portion of SDTS's assets in a wholly-owned subsidiary, which will be referred to in this Order as the North Texas Utility. In addition, the transactions will convert Sharyland Utilities, L.P. into a Delaware limited liability company, Sharyland Utilities, L.L.C., which will own transmission assets solely in the South Texas region. In addition, Sempra Energy intends to acquire an indirect 50% ownership interest in the restructured Sharyland Utilities, L.L.C. The joint applicants have also requested Commission approval of the necessary amendments to the certificates of convenience and necessity (CCNs) of Sharyland Utilities, L.P. and SDTS to authorize the North Texas Utility and Sharyland Utilities, L.L.C. to own, operate, and maintain their respective post-exchange assets.

The joint applicants have stated that none of the agreements underlying the transactions will become effective without closing of the others. The joint applicants and other parties to the docket entered into an unopposed settlement agreement that resolves all issues among the parties. The agreement contains numerous regulatory commitments by the joint applicants. For the reasons discussed in this Order, the Commission finds that the proposed transactions, as modified by the revised settlement agreement and this Order, are in the public interest under PURA §§ 14.101,

t. Any material changes in the compensation or employee benefits plans of executive officers.

u. Any material changes in the compensation or employee benefit plans of employees.

v. Any loan or extension of credit to any officer, manager, or employee.

w. Any divestiture, contribution, or acquisition of assets that constitute or would constitute more than 10% of the assets of Sharyland Utilities, L.L.C. These actions will also require the Commission's prior approval unless such divestiture, contribution, or acquisition is in the normal course of business of operating, maintaining, or rebuilding existing assets or for the construction by Sharyland Utilities, L.L.C. of assets for which it has received a certificate of convenience and necessity. The 10% threshold will decrease to 5% if Sharyland Utilities, L.L.C. reaches $500 million in asset value.

x. Engaging in any projects outside of ERCOT. Such engagement will also require the Commission's prior approval.

y. The approval of dividends except as provided in the annual plan or tax-sharing agreement.

z. Transactions between Hunt Consolidated, Inc. and any of its affiliates (collectively, Hunt) and Sharyland Utilities, L.L.C.

aa. Any dissolution or liquidation of Sharyland Utilities, L.L.C. Such actions will also require the Commission's prior approval.

bb. Any bankruptcy petition.

cc. Any regulatory acts as defined in the LP agreement.

98. Sharyland Holdings, Sharyland Utilities, L.P., and Sharyland Utilities, L.L.C. agreed to include the following additional regulatory commitments, which require prior Commission approval to modify.

a. Sharyland Utilities, L.L.C. will not include cross-default provisions in its debt or credit documents other than for Sharyland Utilities, L.L.C. defaults. Under no circumstances will any debt of Sharyland Utilities, L.L.C. become due and payable or otherwise be

rendered in default because of any cross-default or similar provisions of any debt or other agreement of Sharyland Holdings or any affiliate of Sharyland Holdings.

b. Sharyland Utilities, L.L.C. and Sharyland Holdings will not include in their debt or credit documents any financial covenants, rating-agency triggers, or credit metrics related to any entity other than Sharyland Utilities, L.L.C.

c. Sharyland Utilities, L.L.C.'s debt will be limited to its regulatory debt-to-equity ratio.

d. Sharyland Utilities, L.L.C. will not incur any debt associated with Sempra Energy's investment in Sharyland Holdings.

e. Sharyland Utilities, L.L.C. will not pledge assets with respect to, or guarantee, any debt or obligation of Hunt or Sempra Energy.

f. Sharyland Utilities, L.L.C. will not share credit facilities with Hunt or Sempra Energy.

g. Sharyland Utilities, L.L.C.'s headquarters will be in Texas.

h. Sharyland Utilities, L.L.C. will not seek to recover any costs associated with a bankruptcy of Hunt or Sempra Energy.

i. Sharyland Utilities, L.L.C. will not include goodwill in its regulatory books.

j. No pushdown accounting of transaction at Sharyland Utilities, L.L.C.

k. Sharyland Utilities, L.L.C. will not pay dividends or make any disbursement of cash or assets, except for contractual tax payments, if (i) those dividends or other distributions would cause Sharyland Utilities, L.L.C. to be out of compliance with its Commission-approved debt-to-equity ratio, or (ii) the Commission has initiated a proceeding seeking to modify Sharyland Utilities, L.L.C.'s ring fence and the Commission, after notice and a hearing, enters an order restricting the payment of dividends or disbursements during the pendency of that proceeding.

l. Sharyland Utilities, L.L.C. and Sharyland Holdings will not own, operate, or construct capital assets outside of ERCOT without the Commission's prior approval and will not take any action that would subject ERCOT to the jurisdiction of the Federal Energy Regulatory Commission (FERC) or otherwise impair the Commission's regulatory jurisdiction.

m. Sharyland Utilities, L.L.C.'s assets or stock will not be pledged for any entity other than Sharyland Utilities, L.L.C. by Sharyland Utilities, L.L.C., Sharyland Holdings, Hunt, Sempra Energy, any Sempra Energy affiliate, or any entity with a direct or indirect ownership interest in Sharyland Utilities, L.L.C. or Sharyland Holdings.

n. Neither Hunt, nor Sempra Energy, nor their respective affiliates will take any action that would subject assets in the ERCOT region to the jurisdiction of the FERC or otherwise impair the Commission's regulatory jurisdiction, provided, however, FERC continues to have jurisdiction under sections 210, 211, and 212 of the Federal Power Act and may direct transmission and interconnection services over certain existing facilities outside of ERCOT; provided further that the existing reliability and critical infrastructure standards administered by the North American Electric Reliability Corporation (NERC), through delegation of authority from FERC, may affect the operations of assets that are deemed part of the bulk electric system.

o. Sharyland Utilities, L.L.C., Sharyland Holdings, Sempra Energy, and Hunt will not seek to have a NERC regional entity other than the Texas Reliability Entity serve as the lead regional entity responsible for monitoring Sharyland Utilities, L.L.C.'s activities and ensuring compliance with NERC reliability standards.

p. Sharyland Utilities, L.L.C. will conduct business with its affiliates as if the parties to the transaction were at arm's length. No transaction with an affiliate will occur without a legitimate business purpose.

q. Hunt and Sempra Energy will provide the Commission access to the books and records of themselves and their affiliates as necessary to facilitate a Commission audit or review of any affiliate transactions as between Sharyland Utilities, L.L.C., on the one hand, and Sempra Energy, Hunt, or their affiliates, on the other, consistent with PURA.

r. Sharyland Utilities, L.L.C. will maintain accurate, appropriate, and detailed books, financial records, and accounts (including checking and other bank accounts) and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

s. Neither Sharyland Utilities, L.L.C. nor any affiliate will assert before the Commission, FERC, or any court of competent jurisdiction that the Commission is preempted under the Federal Power Act (*e.g.*, under a FERC tariff) from making a determination regarding the cost recovery of affiliate costs sought to be allocated to Sharyland Utilities, L.L.C.

t. Before closing, Sharyland Utilities, L.P. will provide a non-consolidation legal opinion that provides that in the event of a bankruptcy of Hunt or Sempra Energy or any affiliates of Sempra Energy, a bankruptcy court will not consolidate the assets and liabilities of Sharyland Utilities, L.L.C. with Hunt or Sempra Energy or any affiliates of Sempra Energy.

u. Sharyland Utilities, L.P. filed a conforming LP agreement for Sharyland Holdings. The LP agreement contains provisions in accordance with the revised settlement agreement.

v. Sempra Texas Utilities Holdings I, LLC; SU Investment Partners, L.P.; and Shary Holdings, L.L.C. will adhere to all provisions in the LP agreement and in this Order.

w. Sharyland Utilities, L.L.C.'s formation limited liability company (LLC) agreement contains provisions identical to the LP agreement's ring-fencing provisions and will not contain provisions that are contrary to the provisions of this Order or the LP agreement. The LLC agreement requires that officers of Sharyland Utilities, L.L.C. have the same fiduciary duties to Sharyland Utilities, L.L.C. as directors of a business corporation organized under Delaware law. Sharyland Utilities, L.L.C. will not amend its organizational documents to waive those duties. Sharyland Utilities, L.P. filed a conforming LLC agreement for Sharyland Utilities, L.L.C. in this docket on May 6, 2019. Any amendment to the LLC agreement will also require the Commission's prior approval to the extent the amendment relates to any condition referenced in this Order.

x. Sharyland Utilities, L.L.C. will file annual reports for a period of five years after closing regarding compliance with the terms stated in this Order.

y. Sharyland Utilities, L.L.C. will maintain a separate logo and name distinct from all affiliates but will conduct its day-to-day operations through an affiliated shared-services company.

99. Sharyland Utilities, L.P., Sharyland Utilities, L.L.C., Hunt, and Sempra Energy acknowledge the Commission's jurisdiction to initiate a future proceeding to modify the Sharyland Utilities, L.L.C. ring fence, but they reserve their rights to contest any other aspect of the filing. No party to this proceeding has waived any argument regarding whether the Sharyland Utilities, L.L.C. ring fence should be modified or the scope of any modification, and all parties reserve their rights to argue their positions in the docket, if such docket is initiated.

100. Oncor agreed to accept the obligations and benefits of Sharyland Utilities, L.P. as stated in the participation agreement entered into as of August 21, 2018 between Sharyland Utilities, L.P. and the City of Lubbock acting by and through its city council and its electric utility board.

101. Commission Staff reviewed the LP agreement and LLC agreement and confirmed those agreements conform to the commitments made in the revised settlement agreement and this Order.

102. The ring-fencing provisions included in this Order are reasonable and in the public interest.

Tangible and Quantifiable Benefits to Texas Customers

103. In determining whether the proposed transactions and the related GS-CV transactions are in the public interest under PURA §§ 14.101, 39.262, and 39.915, the Commission has evaluated whether those transactions would provide tangible and quantifiable benefits to ratepayers that are specific to the transactions at issue.

104. Based on findings of fact 83, 84, 88, and 91 set forth in this Order, the proposed transactions and the related GS-CV transactions will result in tangible and quantifiable benefits to Texas customers on a timely basis.

Evaluation of the Transaction

105. The proposed transactions and the related GS-CV transactions eliminate the REIT structure currently employed by Sharyland Utilities, L.P. and SDTS.

DOCKET NO. 50584

JOINT REPORT AND APPLICATION OF WIND ENERGY TRANSMISSION TEXAS, LLC; AXINFRA US LP; HOTSPUR HOLDCO 1 LLC; HOTSPUR HOLDCO 2 LLC; AND 730 HOTSPUR, LLC, FOR REGULATORY APPROVALS UNDER PURA §§ 14.101, 39.262, AND 39.915	§ § § § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

This Order addresses the joint report and application filed by Wind Energy Transmission Texas, LLC (WETT), AxInfra US LP (AxInfra), Hotspur HoldCo 1 LLC (Hotspur 1), Hotspur HoldCo 2 LLC (Hotspur 2), and 730 Hotspur, LLC (730 Hotspur) (collectively, the applicants) under PURA[1] §§ 14.101, 39.262, and 39.915. On June 22, 2020, the applicants, Commission Staff, the Office of Public Utility Counsel (OPUC), the Steering Committee of Cities Served by Oncor (Cities), and Texas Industrial Energy Consumers (TIEC) (collectively, the signatories) filed a unanimous settlement agreement. The agreement contains numerous regulatory commitments by the applicants. For the reasons discussed in this Order, the Commission finds that the transaction is in the public interest under PURA §§ 14.101, 39.262, and 39.915, provided that all the regulatory commitments described in this Order are met.

I. Discussion

A. The Proposed Transaction

In the joint report and application filed in this docket, the applicants seek Commission approval of a proposed transaction that would result in the transfer of ultimate ownership and control of WETT. The proposed transaction will result in the ownership and control of WETT being transferred through various subsidiaries to AxInfra US LP (AxInfra), and the Teachers Insurance and Annuity Association of America (TIAA) will, through its wholly owned indirect subsidiary 730 Hotspur, acquire an indirect minority controlling interest in WETT.

[1] Public Utility Regulatory Act, Tex. Util. Code § 11.001–66 016.

48. The agreement, taken as a whole, is a just and reasonable resolution of the issues, is in the public interest, and should be approved.

Regulatory Commitments

49. The signatories agreed that, except to the extent that any of the following conditions in findings of fact 50 through 62 explicitly state otherwise, the following commitments will apply as of closing of the transaction and continue to apply thereafter, unless and until altered by the Commission.

50. The signatories agreed to the following regulatory commitments addressing ring fencing and code of conduct:

a. Sole Authorized Purpose – The sole authorized purpose of WETT will be the provision of wholesale electric utility service and the performance of activities reasonably necessary and appropriate thereto The sole authorized purpose of Hotspur SPV will be the indirect ownership of WETT. The sole authorized purpose of WETT Holdings will be the ownership of WETT and the performance of activities reasonably necessary and appropriate to exercise such ownership. The sole authorized purpose of Hotspur HoldCo 1 will be the ownership of WETT Holdings and the sole authorized purpose of Hotspur HoldCo 2 will be the ownership of ROADIS WETT and in each case the performance of activities reasonably necessary and appropriate to exercise such ownership.

b. Best Interest of Utility – The WETT Holdings board of directors must have the duty to act, subject to applicable Texas law, in the best interests of WETT.

c. Name and Logo – WETT will maintain a separate name and logo from Axium, TIAA and all other AxInfra and TIAA subsidiaries and affiliates.

d. Pledging of Assets/Stock – WETT's assets or revenues must not be pledged by AxInfra or TIAA or any of their affiliates or subsidiaries for the benefit of any entity other than WETT.

e. No Additional Inter-Company Debt or Lending – WETT will not lend money to or borrow money from AxInfra or any of their affiliates or subsidiaries. Further, WETT will not lend money to or borrow money from TIAA and its affiliates except

that WETT may borrow from TIAA or any of its affiliates on an arm's-length basis if approved by a majority of the WETT Holdings board of directors excluding the TIAA representative on the WETT Holdings board of directors, and provided further that nothing herein must obligate TIAA or any of its affiliates to lend money to WETT at any time.

f. Credit Facility – WETT, WETT Holdings, Hotspur 1, Hotspur 2, or Hotspur SPV will not be borrowers under a common credit facility with one another, nor with AxInfra, TIAA, or their affiliates or subsidiaries.

g. Cross-Default Provisions – WETT will not include in any of its debt or credit agreements cross-default provisions relating to AxInfra, TIAA or any of their affiliates or subsidiaries. Under no circumstances will any debt of WETT become due and payable or otherwise be rendered in default because of any cross-default or similar provisions of any debt or other agreement of AxInfra, TIAA, or any of their affiliates or subsidiaries.

h. Affiliate Asset Transfer – WETT will not transfer material assets to affiliates other than in a transfer that is at an arm's length basis consistent with the Commission's affiliate standards applicable to WETT.

i. Separate Books and Records – WETT will maintain accurate, appropriate, and detailed books, financial records and accounts, including checking and other bank accounts, and custodial and other securities safekeeping accounts that are separate and distinct from those of any other entity.

j. Code of Conduct – WETT will file with the Commission for authority to amend and update its code of conduct to incorporate all applicable conditions and limitations on affiliate transactions required by these regulatory commitments.

k. Credit Ratings Agencies – WETT and AxInfra must take the actions necessary to ensure the existence of WETT's standalone bond credit and debt ratings. WETT will, except as otherwise approved by the Commission, be registered with a nationally recognized statistical ratings organization that is registered with the United States Securities and Exchange Commission. WETT and AxInfra must take

the actions necessary to ensure that WETT obtains a standalone debt rating from at least one of Moody's, Fitch, or Standard & Poor's by the earlier of: (a) WETT's next voluntary base-rate case, or (b) December 31, 2022.

l. Dividend Restriction – WETT will not pay dividends, except for contractual tax payments, at any time that WETT's debt rating is below (BBB) or the equivalent with any one of the credit agencies rating WETT unless approved by the two disinterested board members of WETT Holdings. If any credit agency issues a debt rating for WETT below BBB-, WETT will not pay dividends, except for contractual tax payments, unless approved by the Commission. Additionally, WETT will not issue stock or ownership interests that supersede the foregoing obligations of WETT nor will AxInfra, TIAA or any of their affiliates permit WETT to act in a manner that will supersede the foregoing obligations of WETT. WETT must notify the Commission if either WETT's or WETT Holdings' credit rating from any of the agencies rating WETT or WETT Holdings falls below the rating those entities were given as of May 1, 2020.

m. Debt at WETT Holdings – AxInfra must make reasonable efforts to pay down debt at WETT Holdings.

n. Reservation of Rights – The parties agreed that notwithstanding anything in this agreement, all parties retain their right to argue for any regulatory capital structure for WETT in future rate proceedings, including WETT's existing regulatory capital structure, or a capital structure that reflects the debt at WETT Holdings.

51. The regulatory commitments addressing ring fencing and code of conduct in this Order are reasonable.

52. The signatories agreed to the following regulatory commitments addressing local control and management:

a. Capital Expenditures – WETT will continue to make minimum capital expenditures in an amount equal to WETT's current five-year budget for the five year period beginning January 1 2021, subject to the following qualifications, which must be reported to the Commission in WETT's earnings monitoring report: WETT may

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SOAH DOCKET NO. 473-19-3864

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APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR AUTHORITY TO CHANGE RATES	§ § § §	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

This Order addresses the application of CenterPoint Energy Houston Electric, LLC for authority to change its rates. CenterPoint Houston filed a settlement agreement that resolves certain issues between the parties to the proceeding. The Commission approves the rates, terms, and conditions set forth in the agreement to the extent provided in this Order.

I. Background

On April 5, 2019, CenterPoint Houston filed an application for authority to change its rates. CenterPoint Houston initially sought to increase its annual transmission and distribution revenues by approximately $161 million but revised its requested increase in an errata filing to approximately $154.6 million, inclusive of a rider (rider UEDIT) to refund to customers the unprotected excess deferred federal income tax (EDIT) balance that resulted from the Tax Cuts and Jobs Act of 2017. CenterPoint Houston requested an overall rate of return of 7.39%, based on a cost of debt of 4.38%, a return on equity of 10.4%, and a capital structure of 50% long-term debt and 50% equity.

The Commission referred this docket to the State Office of Administrative Hearings (SOAH) on April 8, 2019. Parties filed testimony and engaged in discovery. After a hearing on the merits was held, the SOAH administrative law judges (ALJs) filed a proposal for decision on September 9, 2019. In the proposal for decision, the SOAH ALJs recommended an increase of $2,644,193 to CenterPoint Houston's total base-rate revenue requirement. The SOAH ALJs also recommended an overall rate of return of 6.65%, based on a cost of debt of 4.38%, a return on equity of 9.45%, and a capital structure of 55% long-term debt and 45% equity.

The Commission considered the proposal for decision at its November 14, 2019 open meeting but did not formally act on it at that time. On January 9, 2020, CenterPoint Houston filed

792

Commission Staff's number run filed on December 5, 2019 and as set forth in exhibit B to the agreement.

65. The allocation of the revenue requirement as set forth in exhibit B to the agreement is just and reasonable.

66. The signatories agreed that CenterPoint Houston will recover all existing and future retail transmission-related costs through its transmission cost recovery factor (TCRF) instead of through base rates.

Agreement – Rates and Tariff Approval

67. The signatories agreed to use the tariffs and rates set forth in exhibit C to the agreement.

68. The tariffs and rates in exhibit C to the agreement incorporate the total base-revenue increase approved by this Order.

69. The tariffs and rates in exhibit C to the agreement are just and reasonable.

70. The tariffs and rates in exhibit C to the agreement properly reflect the rates adopted by this Order.

Agreement – Ring-Fencing

71. The signatories agreed to adopt ring-fencing measures for CenterPoint Houston as set forth in findings of fact 72 through 87 of this Order.

72. CenterPoint Houston's credit agreements and indentures must not contain cross-default provisions by which a default by CenterPoint Energy, Inc. (CNP) or its other affiliates would cause a default at CenterPoint Houston.

73. The financial covenant in CenterPoint Houston's credit agreement must not be related to any entity other than CenterPoint Houston. CenterPoint Houston must not include in its debt or credit agreements any financial covenants or rating-agency triggers related to any entity other than CenterPoint Houston.

74. CenterPoint Houston must not pledge its assets in respect of or guaranty any debt or obligation of any of its affiliates. CenterPoint Houston must not pledge, mortgage, hypothecate, or grant a lien on the property of CenterPoint Houston except under an

exception in effect in CenterPoint Houston's current credit agreement, such as the first mortgage and general mortgage.

75. CenterPoint Houston must maintain its own stand-alone credit facility, and CenterPoint Houston must not share its credit facility with any regulated or unregulated affiliate.

76. CenterPoint Houston must maintain registrations with all three ratings agencies.

77. CenterPoint Houston must maintain a stand-alone credit rating.

78. CenterPoint Houston's first mortgage bonds and general mortgage bonds must be secured only with CenterPoint Houston's assets.

79. No CenterPoint Houston assets may be used to secure the debt of CNP or its non-CenterPoint Houston affiliates.

80. CenterPoint Houston must not hold out its credit as being available to pay the debt of any affiliates (provided that, for the avoidance of doubt, CenterPoint Houston is not considered to be holding its credit out to pay the debt of affiliates, or in breach of any other ring-fencing measure, with respect to the $68 million of CenterPoint Houston general mortgage bonds that currently serve as collateral for certain outstanding CNP pollution control bonds).

81. Without prior approval of the Commission, neither CNP nor any affiliate of CNP (except for CenterPoint Houston) may incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent on the revenues of CenterPoint Houston in more than a proportionate degree than the other revenues of CNP or the stock of CenterPoint Houston.

82. CenterPoint Houston must not transfer any material assets or facilities to any affiliates, except through a transfer that is on an arm's-length basis in accordance with the Commission's affiliate standards applicable to CenterPoint Houston.

83. Except for its participation in an affiliate money pool, CenterPoint Houston must not commingle its assets with those of other CNP affiliates.

84. Except for its participation in an affiliate money pool, CenterPoint Houston must not lend money to or borrow money from CNP affiliates.

85. CenterPoint Houston must notify the Commission if its credit issuer rating or corporate rating as rated by any of the three major rating agencies falls below investment-grade level.

86. Based on the Commission's review of the record and the parties' briefing in this docket, the Commission does not adopt a dividend restriction.

87. The signatories agreed that, if CenterPoint Houston appeals any Commission decision related to dividend restrictions, CenterPoint Houston will reimburse on a monthly basis the expenses that other parties incur to litigate that appeal and will not seek recovery of those expenses in rates.

Agreement – Invested Capital

88. CenterPoint Houston's invested capital, including its plant in service through the end of the test year (December 31, 2018), as reflected on exhibit D to the agreement, is used and useful in providing service and was prudently incurred and properly included in rate base.

Agreement – Cash Working Capital

89. The signatories agreed that, for purposes of CenterPoint Houston's earnings monitoring reports for reporting years beginning in 2020, CenterPoint Houston's total company cash working capital is $24,269,000, as shown on exhibit D to the agreement.

90. CenterPoint Houston's total company cash working capital of $24,269,000 is reasonable and is appropriate to use in CenterPoint Houston's earnings monitoring reports.

Agreement – Certain Tax Matters

91. The signatories agreed that CenterPoint Houston must refund through rider UEDIT and its wholesale transmission service tariff a total UEDIT refund of $105,449,069 (plus carrying costs), comprising a UEDIT amount of $64,903,763, protected EDIT amount of $18,659,227, and gross up of $21,886,079. The refund and amortization period for UEDIT for residential service, secondary service less than or equal to ten kilovolt-amperes (kVA), street lighting service, and miscellaneous lighting service will be approximately 30 months beginning with the effective date of the rates authorized in this proceeding, as shown in the rate schedules in exhibit E to the agreement. The refund and amortization period for UEDIT for secondary service greater than ten kVA, primary service, and transmission service will be approximately 36 months beginning with the effective date of the rates

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SOAH DOCKET NO. 473-19-4421

APPLICATION OF AEP TEXAS INC. FOR AUTHORITY TO CHANGE RATES	§ § §	**PUBLIC UTILITY COMMISSION OF TEXAS**

ORDER

This Order addresses the application of AEP Texas Inc. for authority to change its rates. On February 13, 2020, AEP Texas filed an unopposed agreement between the parties to this proceeding. The Commission approves the rates, terms, and conditions set forth in the agreement to the extent provided in this Order.

I. Background

On May 1, 2019, AEP Texas filed an application for authority to change its rates. AEP Texas initially sought to increase its annual transmission and distribution revenues by approximately $35.18 million, inclusive of a rider to refund to customers the balance of excess tax revenue that resulted from the Tax Cuts and Jobs Act of 2017.[1] AEP Texas requested an overall rate of return of 7.08% based on a cost of debt of 4.2758%, a return on equity of 10.5%, and a capital structure of 55% long-term debt and 45% equity. AEP Texas's application also included proposals to consolidate the rates of its formerly separate central and north divisions, eliminate a surcharge associated with its deployment of advanced meters, begin to recover in base rates the ongoing costs to provide advanced metering service, and move the recovery of all costs to provide transmission service into a transmission cost recovery factor.

The Commission referred this docket to the State Office of Administrative Hearings (SOAH) on May 2, 2019. Parties filed testimony and engaged in discovery. After holding a hearing on the merits, the SOAH administrative law judges (ALJs) filed a proposal for decision on November 12, 2019. In the proposal for decision, the SOAH ALJs recommended a decrease of $59,741,451 to AEP Texas's current total base-rate revenue requirement. The SOAH ALJs also

[1] Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

532

103. The tariffs and rates in exhibit C to the agreement incorporate the total base-rate revenue decrease approved by this Order.

104. The tariffs and rates in exhibit C to the agreement are just and reasonable.

105. The tariffs and rates in exhibit C to the agreement properly reflect the rates approved by this Order.

106. AEP Texas agreed that, no later than six months from the date of this Order, it will file a proceeding in which it proposes and supports a tariff provision that would allow transmission-level customers to construct and own substations at the customers' facilities interconnected to AEP Texas. AEP Texas agreed to confer with TIEC in developing the proposed tariff provision.

107. AEP Texas agreed to withdraw its request for approval of the inadvertent gain fee.

Agreement – Ring-Fencing

108. The signatories agreed to adopt ring-fencing measures for AEP Texas as set forth in findings of fact 109 through 120 of this Order.

109. AEP Texas must not share its credit facility with any unregulated affiliates.

110. AEP Texas's debt must not be secured by non-AEP Texas assets.

111. AEP Texas's assets must not secure the debt of AEP, Inc. or its non-AEP Texas affiliates.

112. AEP Texas's assets must not be pledged for any other entity.

113. AEP Texas must work to ensure that its credit ratings at S&P and Moody's remain at or above AEP Texas's current credit ratings.

114. Except as may be otherwise ordered by the Commission, AEP Texas must take the actions necessary to ensure the existence of an AEP Texas stand-alone credit rating.

115. AEP Texas must not hold out its credit as being available to pay the debt of any AEP, Inc. affiliates.

116. Except for access to the utility money pool and the use of shared assets governed by the Commission's affiliate rules, AEP Texas must not commingle its assets with those of other AEP, Inc. affiliates.

117. AEP Texas must not pledge its assets with respect to, or guarantee, any debt or obligation of AEP, Inc. affiliates.

118. AEP Texas must not transfer any material assets or facilities to any affiliates, other than a transfer that is on an arm's-length basis in accordance with the Commission's affiliate standards applicable to AEP Texas.

119. AEP Texas will not seek to recover from customers any costs incurred as a result of a bankruptcy of AEP Texas or any of its affiliates.

120. Without prior approval of the Commission, neither AEP, Inc. nor any affiliate of AEP, Inc. (excluding AEP Texas) may incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent on the revenues of AEP Texas in more than a proportionate degree compared to the other revenues of AEP, Inc. or the stock of AEP Texas.

121. The ring-fencing measures described in findings of fact 109 through 120 are appropriate.

Agreement – Invested Capital

122. AEP Texas's invested capital, including its plant in service through the end of the test year (December 31, 2018), as reflected on exhibit D to the agreement, is used and useful in providing service, was prudently incurred, and was properly included in rate base.

123. The signatories agreed that AEP Texas will remove $23 million from rate base, the removal of which is reflected in exhibit D to the agreement.

124. The signatories agreed that AEP Texas will refund $30 million over one year with no carrying costs. This refund represents amounts collected in rates associated with capital that was subject to reconciliation in this proceeding. The $30 million will be functionalized as $20 million to wholesale transmission and $10 million to distribution.

125. The refund described in finding of fact 124 is appropriate.

126. The signatories agreed that AEP Texas's rate base as of the close of the test year (December 31, 2018), as reflected in exhibit D to the agreement, will not be revisited in subsequent rate proceedings.

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SOAH DOCKET NO. 473-19-6677

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APPLICATION OF SOUTHWESTERN PUBLIC SERVICE COMPANY FOR AUTHORITY TO CHANGE RATES	§ § §	PUBLIC UTILITY COMMISSION OF TEXAS

ORDER

This Order addresses the application of Southwestern Public Service Company (SPS) for authority to change its rates. SPS filed an unopposed agreement between the parties in this proceeding. The Commission approves the rates, terms, and conditions in the agreement to the extent provided in this Order.

I. Findings of Fact

The Commission makes the following findings of fact.

Applicant

1. SPS is incorporated under the laws of the State of New Mexico and is a wholly owned subsidiary of Xcel Energy Inc.

2. SPS is a fully integrated utility that owns equipment and facilities to generate, transmit, distribute, and sell electricity in Texas and New Mexico.

3. SPS is authorized under certificate of convenience and necessity number 30153 to provide service to the public and retail electric utility service within its certificated service area.

4. The Commission regulates SPS's Texas retail operations, the New Mexico Public Regulation Commission regulates SPS's New Mexico retail operations, and the Federal Energy Regulatory Commission regulates SPS's wholesale power sales and transmission of electricity in interstate commerce.

5. SPS's last base-rate proceeding was filed on August 21, 2017 and was docketed as Docket No. 47527.[1]

[1] *Application of Southwestern Public Service Company for Authority to Change Rates*, Docket No. 47527, Order (Dec. 10, 2018).

Agreement – Capital Additions

71. In addition to general testimony regarding the reasonableness and necessity of capital additions, SPS provided testimony from business area witnesses explaining the reasonableness and necessity of the capital additions for particular business areas.

72. The capital additions that SPS closed to plant in service during the period of April 1, 2019 through June 30, 2019 that are included in SPS's updated test-year rate-base total $940,797,043.

73. The signatories agreed that SPS's capital additions closed to plant in service during the period of April 1, 2018 through June 30, 2019 that are included in SPS's rate base during the test year and update period are reasonable and necessary.

74. The capital additions described in finding of fact 73 are used and useful and were prudently incurred.

Agreement – Ring-Fencing

75. The signatories agreed for SPS to adopt the ring-fencing measures set forth in findings of fact 76 through 90 of this Order.

76. SPS's credit agreements and indentures will not contain cross-default provisions by which a default by Xcel Energy or its other affiliates would cause a default by SPS.

77. The financial covenant in SPS's credit agreement will not be related to any entity other than SPS. SPS will not include in its debt or credit agreements any financial covenants or rating agency triggers related to any entity other than SPS.

78. SPS will not pledge its assets in respect of or guaranty any debt or obligation of any of its affiliates. SPS will not pledge, mortgage, hypothecate, or grant a lien upon the property of SPS except under an exception in effect in SPS's current credit agreement such as the first mortgage and general mortgage.

79. SPS will maintain its own stand-alone credit facility, and SPS will not share its credit facility with any regulated or unregulated affiliate.

80. SPS will maintain registrations with all three ratings agencies.

81. SPS will maintain a stand-alone credit rating.

82. SPS's first mortgage bonds and general mortgage bonds will be secured only with SPS's assets.

83. No SPS assets may be used to secure the debt of Xcel Energy or its non-SPS affiliates.

84. SPS will not hold out its credit as being available to pay the debt of any affiliates.

85. Without prior approval of the Commission, neither Xcel Energy nor any affiliate of Xcel Energy except SPS may incur, guaranty, or pledge assets in respect of any incremental new debt that is dependent either on SPS's revenues in more than a proportionate degree compared to the other revenues of Xcel Energy or on SPS's stock.

86. SPS will not transfer any material assets or facilities to any affiliates except through a transfer that is on an arm's length basis in accordance with the Commission's affiliate standards applicable to SPS.

87. Except for its participation in an affiliate money pool, SPS will not commingle its assets with those of other Xcel Energy affiliates.

88. Except for its participation in an affiliate money pool, SPS will not lend money to or borrow money from Xcel Energy affiliates.

89. SPS will notify the Commission if its credit issuer rating or corporate rating as rated by any of the three major rating agencies falls below investment grade level.

90. SPS will not seek to recover any costs associated with the bankruptcy of Xcel Energy or any of SPS's other affiliates.

91. The agreed ring-fencing measures set forth in findings of fact 76 through 90 are appropriate.

Agreement – Tracker for Pension and Other Post-Employment Benefit Expense

92. As of July 1, 2019, the unamortized balance from Docket No. 47527 for pension and other post-employment benefit expense is negative $276,798. The pension and other post-employment benefit expense that was deferred from July 1, 2017 through March 31, 2019 is $1,851,773. The net of those two amounts is $1,574,975 and is included in SPS's revenue requirement.